

CURE Program

California Urban Investment Partners

MacFarlane Partners Profile

- **Investment manager and developer of urban real estate projects in markets nationwide**
- **Leading minority-owned real estate investment manager in the U.S. for the past two decades**
- **Real estate manager for CalPERS since 1991**
- **Offices in San Francisco and New Canaan, Connecticut**

MacFarlane Partners Principals

- **Victor B. MacFarlane, Managing Principal and CEO**
- **Charles Berman, Managing Principal**
- **Suzie McGill, Managing Principal and COO**

CUIP Program Overview

- **First urban real estate program created by CalPERS**
- **Joint venture between CalPERS and MacFarlane Partners**
- **Invests in retail, residential, office and mixed-use development projects in urban areas**
- **National scope with preference for California projects**
- **Targeting 18%+ IRRs (before advisory fees)**

CUIP Strategy

- Urban “smart growth” orientation
- Focus on higher-yielding real estate investments in urban areas
 - *Infill development and redevelopment projects*
 - *All product types/mixed-use*
 - *Affordable housing*
 - *Acquisition or investment in other real estate entities*
- Mitigate development risks through JV agreements with experienced developers
- Use positive leverage to enhance investment returns and diversify the portfolio

CUIP Current Portfolio

- 8 projects in L.A., San Francisco, Oakland and New York
- \$633 million market value as of June 30, 2003
- Another 10 projects in final underwriting/negotiating stage
 - *7 in Los Angeles*
 - *1 each in San Francisco, Oakland and New York*



- Current Investment
- Probable Investment

Ladera Shopping Center

Location: Los Angeles, CA

Project Type: Community Retail Center

Size: 187,000 Square Feet

CUIP Value: \$32 Million

Demographics: 80% Minority

Status: Renovated in 2002;
100% Leased



First CUIP Investment (1997); 23% IRR Since Inception

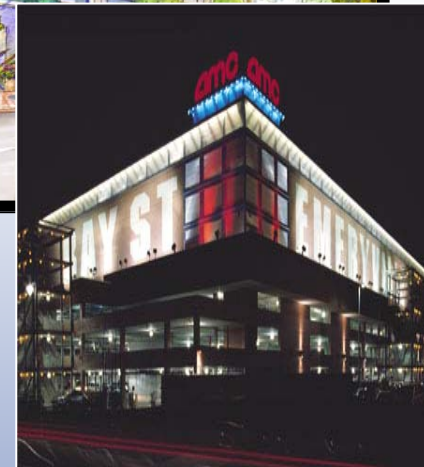
Hollywest Promenade

Location:	Los Angeles, CA (Hollywood)
Project Type:	Mixed-Use Urban Project (<i>Neighborhood Retail Center & 80/20 Affordable Residential</i>)
Size:	<ul style="list-style-type: none">• 121,000 Square Feet of Retail• 100 Residential Units
CUIP Value:	\$46 Million
Demographics:	83% Minority
Status:	Opened in July 2002; 100% Leased



Bay Street Retail & Residential

- Location:** Emeryville, CA
- Project Type:** Mixed-Use Urban Project
(Lifestyle Retail Center & 80/20 Affordable Residential)
- Size:**
- 400,000 Square Feet of Retail
 - 365 Residential Units
(284 Apartments & 95 Condos)
- JV Partner:** Madison Marquette (20%)
- Cost:** \$250 Million
(City Subsidy/Tax Credits)
- Demographics:** 57% Minority
- Status:**
- Retail Center Opened in November 2002; 81% Leased
 - Residential Construction to Begin in October 2003; Completion Expected in April 2005



The Crossing

Location: San Bruno, CA

Project Type: 80/20 Affordable Residential

Size: 300 Apartment Units

JV Partner: TMG/Sares-Regis (10%)

Cost: \$69 Million

Demographics: 54% Minority

Status: Under Construction; Completion Expected in December 2004



Keys to Successful Urban Development

- Quality projects and services are basic requirements
- Proactive management of property operations and maintenance is essential -- *no “skimping”*
- Community buy-in is crucial
- Property managers and leasing agents who are involved in the local community are a plus
- National credit tenants can excel in urban locations

Keys to Successful Urban Development

- **Creating a “safe environment” is critical**
- **Educated and committed cities and communities needed, especially for affordable housing, retail development and brownfields**
- **Arbitrary “profit” goal by cities is counterproductive and overlooks ancillary benefits of neighborhood revitalization**
- **Adequate public transportation is increasingly critical**
- **Multiple product capacity is critical to creation of trust and effectiveness within communities**

